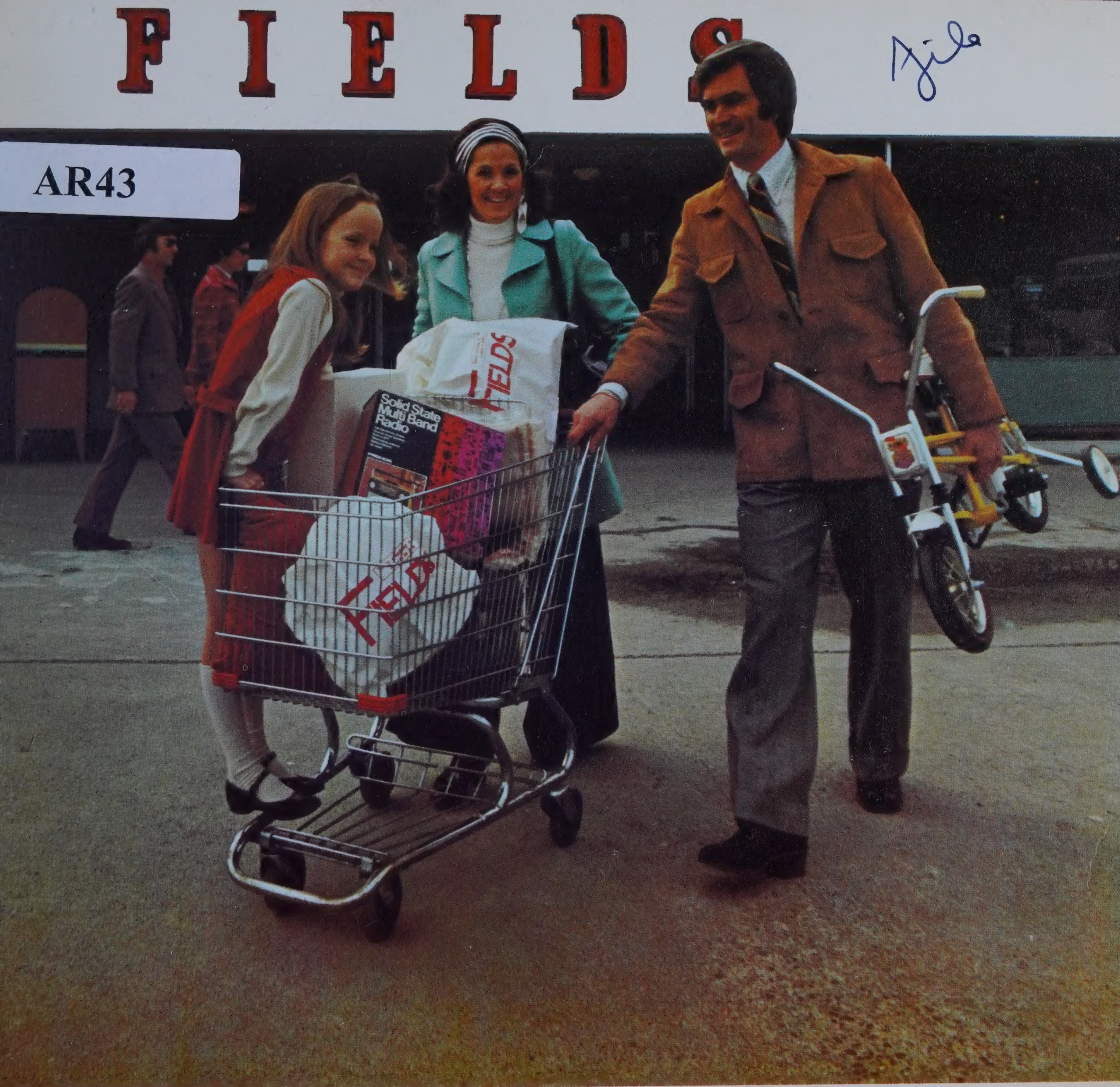


Fields Stores Limited

ANNUAL REPORT 1972

DIRECTORS AND OFFICERS

Directors

JOSEPH SEGAL
President & Chief Executive Officer, Fields Stores Limited

GORDON J. CHAPMAN
Vice President, Fields Stores Limited

C. FREDERICK GRAVES
Vice President, Fields Stores Limited

MORLEY KOFFMAN
Barrister & Solicitor, Secretary, Fields Stores Limited

JOHN G. CHASTON
President, Pemberton Securities Limited

JOHN E. HOEGG
President, Grouse Mountain Resorts Ltd.

W. CECIL WAKELY
President, Wakely Insurance Agencies Ltd.

MORRIS J. WOSK
President, Blue Boy Motor Hotel Limited

Officers

JOSEPH SEGAL
President and Chief Executive Officer

C. FREDERICK GRAVES
Vice President Administration and Finance

GORDON J. CHAPMAN
Vice President Retail Operations

MORLEY KOFFMAN
Secretary

Solicitors

Freeman, Freeman, Silvers & Koffman

Auditors

Deloitte, Haskins & Sells,
Chartered Accountants

Transfer Agents

Canada Permanent Trust Co.,
Vancouver, B.C. and Toronto, Ont.

Listed on

Toronto Stock Exchange
Vancouver Stock Exchange
Symbol — FSL

HEAD OFFICES:
549 Carrall Street, Vancouver 4, B.C.

FIELDS STORES LIMITED

Head Office

2540 East Hastings Street

Vancouver 6, B.C.

FIELDS

Fields Stores Limited

INTERIM REPORT

To the Shareholders

FOR THE SIX MONTHS ENDED JUNE 30, 1972

To the Shareholders:

Sales and earnings for Fields Stores Limited increased substantially during the first six months of 1972. Sales to June 30, were 16,490,141, an increase of 38.2 per cent over the 1971 figure for the same period of $11,929,939, while net earnings increased by 42.6 per cent to $859,840 or 38.2 cents per share compared to $602,767 or 26.9 cents per share.

During the second quarter, the province of British Columbia experienced unsettled employment conditions created by strikes and lockouts in various industries vital to the economy of the province. Accordingly, consumer spending was somewhat less than normal and your management feels that this has had an effect on retail sales in this quarter. However, despite these factors, we are pleased to report that retail sales increased 38 per cent for the second quarter and 45 per cent for the six month period.

Sales by the company's importing subsidiary in the second quarter increased 15 per cent compared to the same period a year ago, with sales for the first half of 1972 up 25 per cent. Traditionally the subsidiary operates on a two season basis (spring and fall), with a large proportion of sales and earnings being made in the first and third quarters. Shipments of fall merchandise in the second quarter were on a comparable level with 1971 and orders on hand for the fall season indicate third and fourth quarter volume will exceed 1971.

Your company has recently purchased property in downtown Vancouver which will be used to house our expanding head office and distribution centre. The premises are larger than our requirements for future expansion and the excess space has been leased to others. Current facilities which have become overcrowded will be converted to retail selling space and used to enlarge the junior department store now at the same location. We anticipate that relocation to the new distribution centre will be completed early in 1973.

Cash flow from operations for the six months to June 30 amounted to $1,180,547. Working capital decreased during this period by $422,461, largely due to an expenditure of $1,630,398 for fixed assets, the major portion of which was for the distribution centre.

During May and June four stores were opened, three of them in Alberta and we anticipate that another three will be opened in this province before the end of the year. In British Columbia, one new store is scheduled to open in September and several others are under negotiation for opening later in the year. The total number of stores now in operation is 48.

Fields has many other locations under study and some negotiations for 1973 already finalized. With the new distribution centre available in the near future, we will be able to accelerate our retail expansion program.

We anticipate that consumer spending in the second half of 1972 should be strong. Most major labour contracts have now been settled in B.C. and we expect that an increasing demand for consumer goods will continue into 1973. As a result we look forward to continued growth in sales and earnings for the balance of the year.

On behalf of the Board,

Joseph Segal
President

August 7, 1972
Vancouver, B.C.

FIELDS STORES LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1972
(With Comparative Figures for 1971)
(Not Audited)

	1972 $	1971 $
SALES	**16,490,141**	11,929,939
Deduct concession sales	**173,837**	165,930
NET SALES	**16,316,304**	11,764,009
COST OF GOODS SOLD AND OPERATING EXPENSES		
BEFORE THE FOLLOWING:	**14,142,722**	10,117,961
Depreciation and amortization	**137,936**	94,526
Directors' and senior officers' remuneration	**87,607**	84,000
Interest on long-term debt	**16,497**	17,414
	14,384,762	10,313,901
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	**1,931,542**	1,450,108
INCOME TAXES		
Current	**888,931**	716,891
Deferred	**44,000**	30,900
	932,931	747,791
	998,611	702,317
MINORITY INTERESTS	**138,771**	99,550
NET EARNINGS FOR THE PERIOD	**859,840**	602,767
RETAINED EARNINGS BEGINNING OF PERIOD	**5,931,513**	3,897,252
RETAINED EARNINGS END OF PERIOD	**6,791,353**	4,500,019
NET EARNINGS PER SHARE	**38.2¢**	26.9¢
(Shares issued: 1972 - 2,249,821; 1971 - 2,239,811)		

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 1972
(With Comparative Figures for 1971)
(Not Audited)

	1972 $	1971 $
SOURCE OF FUNDS		
Net earnings for the period	**859,840**	602,767
Depreciation and amortization	**137,936**	94,526
Deferred income taxes	**44,000**	30,900
Earnings of minority interests	**138,771**	99,550
Provided from operations	**1,180,547**	827,743
Issue of shares	**33,030**	70,632
	1,213,577	898,375
USE OF FUNDS		
Purchase of fixed assets	**1,630,398**	724,392
Decrease in long-term debt	**5,278**	6,097
Increase in other assets	**362**	6,394
	1,636,038	736,883
INCREASE (DECREASE) IN WORKING CAPITAL	**(422,461)**	161,492
WORKING CAPITAL BEGINNING OF PERIOD	**6,456,957**	5,308,110
WORKING CAPITAL END OF PERIOD	**6,034,496**	5,469,602

FINANCIAL HIGHLIGHTS

	1972	1971	% Increase
Sales	$36,072,459	$27,608,949	31
Net Earnings before Income Taxes Depreciation, Amortization, Minority Interest & Extraordinary Items	5,110,974	3,981,662	28
Income Taxes	2,289,275	1,868,497	23
Depreciation & Amortization	325,095	229,432	42
Minority Interests	187,503	164,910	14
Net Earnings before Extraordinary Item	2,309,101	1,718,823	34
Extraordinary Gain	—	315,438	—
Net Earnings	$ 2,309,101	$2,034,261	14
Earnings per share before Extraordinary Item	$ 1.02	$ .76	34
Earnings per Share	$ 1.02	$ .90	13
Working Capital Ratio	1.9 to 1	2.3 to 1	—
Shareholders Equity	$13,063,525	$10,842,061	20
Number of Shares Outstanding	2,256,336	2,245,371	—

PRESIDENT'S REPORT

Fields' fifth year as a public company was an outstanding one. New records were set in both sales and earnings and at the same time, the largest expansion program in your company's history was undertaken, establishing the base for greater earnings in the future.

Sales in the year ended December 31, 1972 rose to $36,072,459 compared to $27,608,949 in 1971, an increase of 31 percent. Earnings from operations increased by 34 percent to $2,309,101 or $1.02 per share, compared with $1,718,823 or 76 cents per share in the previous year.

During the past year, six retail stores were added in Alberta and another six in British Columbia, bringing the total to 55. Retail selling space now amounts to 510,000 square feet. This rate of growth will be continued with another 10 to 12 Fields stores planned for 1973 and an anticipated increase in selling space of approximately 150,000 square feet.

Your company recently announced the acquisition of Marshall Wells Limited, which became effective December 2, 1972 and which has broadened our corporate market area across all the Western provinces to the Lakehead. Your company is now integrating the two firms' lines of merchandise to provide a greater diversity of products for both Fields and Marshall Wells operations.

For the first time in its 70 year history, Marshall Wells has now become a totally Canadian owned company. It was formerly controlled by U.S. interests. Internal funds provided $1 million of the $7.5 million purchase price with the remainder obtained through bank loans.

This new subsidiary supplies consumer durable goods and hardware to a chain of 186 dealer franchised stores and in addition carries on a wholesale industrial account business to mechanical, electrical and construction trades from its warehouses at Edmonton, Alberta and Winnipeg, Manitoba.

The Fields group can now expand in the general merchandise area as well as in soft goods with advantages to both Fields stores and Marshall Wells outlets. Twelve Fields stores are now benefitting from Marshall Wells expertise in durable consumer goods while rubber and canvas footwear items have been made available to Marshall Wells dealers and a program is planned to provide clothing to them for the fall 1973 season.

Sales volume for Marshall Wells during the forthcoming year will be approximately $20 million and will provide a contribution to profits in 1973.

In the latter part of 1972 Fields purchased an additional 16.66 percent interest in Diamond & Co. Ltd., our Winnipeg based importing subsidiary, bringing total equity in the company to 91.66 percent. This purchase contributed earnings of 1.5 cents per share in 1972 and should enhance 1973 earnings by a considerably higher figure.

Larger warehousing and head office facilities in downtown Vancouver, purchased early in 1972, have now been renovated and redecorated and the move to this new location will be completed in April. The building provides Fields with 150,000 square feet for the distribution centre and executive offices while an additional 40,000 square feet will be used to house importing operations.

A dividend policy was introduced in 1972 commencing with a semi-annual dividend of 5 cents per share paid in August. A similar dividend was paid in February 1973.

Your directors are looking optimistically at 1973 as economic forecasts indicate an increased demand for both durable and non-durable consumer products and the recent expansion and broadening of operations will enable us to reach a much larger market than ever before.

Along with the physical expansion has gone a strengthening of personnel at both the executive and senior management levels. The expertise of our key people has been invaluable in the past year and makes our potential for the future extremely promising. With the support of these and our many other loyal employees, we hope to provide consumer value to an ever larger segment of the Canadian West, and at the same time increase the earnings of your company.

On behalf of the board

Joseph Segal

FIELDS STORES

Fields is now 25 years old and has grown from a single store in downtown Vancouver to a chain of 55 outlets in two provinces with subsidiary importing, manufacturing and wholesaling divisions which give the company depth and stability.

Just five years ago, in July, 1968, Fields became a public company and at that year end reported 11 stores in operation. The table below sets out the growth in number of stores operated from 1967 to 1972.

Growth in Number of Stores

	1967	1968	1969	1970	1971	1972
Department Stores		1	4	4	4	4
Junior Department Stores		1	3*	5	8	10
Family Clothing	8	9	10	14	26	36
Pant Shops					5	5
TOTALS	8	11	17	23	43	55

*Two existing family clothing stores were re-classified in 1969 as junior department stores and the merchandise content was broadened.

Fields has always been wholly Canadian owned and has become one of the new breed of Corporations, founded in the West and expanding eastward.

Its growth in five years has been steady, moving first throughout the province of British Columbia and during the past year into Alberta.

Originally Fields marketed only fâmily clothing, but as it grew, so did its lines of merchandise. Each new location is studied carefully and depending on the results of area surveys, a new store may be one of four different types. In some B.C. communities, Fields is the major department store.

The table below provides an analysis of retail sales by type of store for the years 1967 to 1972.

Analysis of Retail Sales

	1967	1968	1969	1970	1971	1972
	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
Department Stores		4.3	33.7	30.4	22.8	19.0
Junior Department Stores			20.6	23.6	24.7	28.6
Family Clothing	100	95.7	45.7	46.0	51.3	50.5
Pant Shops					1.2	1.9
	100%	100%	100%	100%	100%	100%

The company has been developed to take full advantage of the economic benefits of volume purchasing and central distribution which have increased as the company expanded.

Mass merchandising, primarily on a cash and carry basis, is a concept which has proven successful for Fields and continues to be encouraged in most locations. Credit departments are, however, incorporated into full line department stores where customers purchase major appliances and furniture.

A sales incentive program for store personnel encourages an increase in sales volume, but also applies for innovative ideas which decrease overhead and operating costs.

Retail sales volume from the older established outlets has increased at the same time that expansion into new market areas was taking place.

Fields, "The Canadian Family Store", will continue to base its marketing concepts on the successful formula developed by its experienced management personnel as it branches out to serve an ever larger segment of the Canadian West.

Fields new warehousing and distribution centre in downtown Vancouver, facilitates inventory procedure and deliveries to 55 stores in British Columbia and Alberta such as the one pictured (left) in downtown Victoria. Housewares, (pictured centre row right), and fabrics (bottom) are two of numerous product lines carried by many Fields Stores.

MARSHALL WELLS

For the first time in its 70 year history, Marshall Wells became a Canadian owned company when it was purchased by Fields Stores Limited effective December 2, 1972.

Through the years Marshall Wells has developed a successful marketing concept using the dealer franchise system and today distributes a variety of brand name consumer durable goods to 186 dealer owned stores in rural areas throughout Western Canada. The company supplies goods for retail, along with advertising material, merchandising and promotional programs and any other business assistance the independent operator may require.

During the past two years, and as a result of a study undertaken in 1970, Marshall Wells undertook a major consolidation program to convert large investments in unprofitable locations into liquid assets. This program was completed prior to the Fields purchase and resulted in a trim operating base and a strong financial position for the company, which maintains head offices in Winnipeg.

Marshall Wells now operates two major distribution centres, in Winnipeg to serve northwestern Ontario, Manitoba and Saskatchewan and in Edmonton to serve Alberta and British Columbia. Both of these operations distribute to franchised dealers and industrial customers and the company also has a smaller warehouse in Thunder Bay to service industrial accounts at the Lakehead.

The affiliation with Fields will provide benefits to both companies. Marshall Wells is now providing an expanded range of hardware to 12 of the larger Fields retail outlets and the infusion of clothing carried by Fields Stores into the Marshall Wells program provides dealers with the opportunity to expand into general merchandising.

Marshall Wells is moving quickly to develop these new opportunities and a program of spring and summer footwear has already been introduced into 40 franchised stores with excellent consumer reaction. Plans are also underway to introduce clothing into the fall program for all franchised stores with suitable facilities.

An accelerated program is now being undertaken to develop new Marshall Wells franchised dealer outlets. This may include the operation of company owned stores in larger centres where there will be no conflict with dealer outlets.

Marshall Wells president is S.J. Coppinger who joined the company in 1937 and apart from four years service in the Canadian Army during World War II has been employed continuously in various positions.

Vice president is Donald D. Baily who joined the company in 1947, and vice-president finance is J.I. Whitford who has been with the firm since 1959.

The management is confident that the company will operate profitably on its present base and that sales and profit increases will develop through the new opportunities and diversification which the purchase of the company by Fields Stores Limited have made possible.

Merchandise presentations are made frequently to Marshall Wells franchised dealers when suppliers exhibit products for the forthcoming season. Company management, pictured lower left, includes: (left to right) S.J. Coppinger, president; Donald D. Bailey, vice president and J.I. Whitford, vice president, finance.

IMPORTING AND WHOLESALING

Fields has two importing subsidiaries, Diamond & Co. Ltd., located in Winnipeg, Manitoba and Imperial Imports Ltd., in Vancouver, British Columbia.

Diamond & Co. imports ladies' sportswear and some children's and men's wear from the Far East. Warehousing and distribution facilities are located at Winnipeg and the company's sales force operates from here and from other centres across Canada. Diamond sells to leading department stores, chain stores, wholesalers and distributors across the breadth of the country from the Maritime Provinces to Vancouver Island. Less than ten percent of the company's volume is sold to Fields Stores Limited.

The interests of a minority shareholder were purchased during 1972 and Fields now owns 91.66 percent of Diamond & Co., Ltd.

Imperial Imports Ltd., a wholly owned subsidiary, also brings in merchandise from the Far East, primarily canvas and rubber footwear, which is sold in Western Canada. In addition, the company is the Canadian distributor for the Lafayette line of stereo components and radios. Fields plans to extend the product lines of this company to include sporting goods and hardware items for the general market and for Marshall Wells Limited.

During 1972, Fields acquired J. Leckie & Co. Ltd., a shoe wholesaler and distributor selling domestic and import merchandise, mainly European, to leading stores throughout Western Canada.

Offices and distribution facilities for both Imperial Imports and J. Leckie & Co. Ltd. will be located at the new distribution centre of Fields Stores Limited in downtown Vancouver.

MANUFACTURING

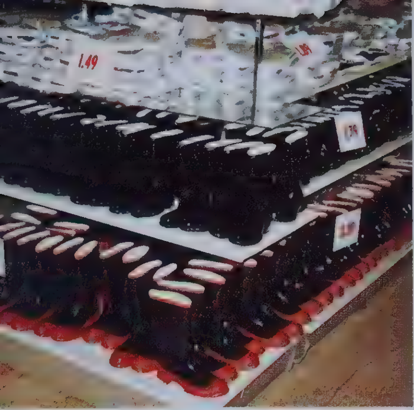
Lounge Fashion Clothes Ltd., the manufacturing subsidiary of Fields Stores Limited, is a producer of men's tailored clothing, selling to national department stores and leading men's wear shops throughout British Columbia and Alberta. Less than 10 percent of the Company's production is sold to Fields.

The company was purchased in March 1969 and had at that time an established clientele and a 20-year history in Vancouver's garment district as a custom tailor producing quality made-to-measure suits and small job lot orders.

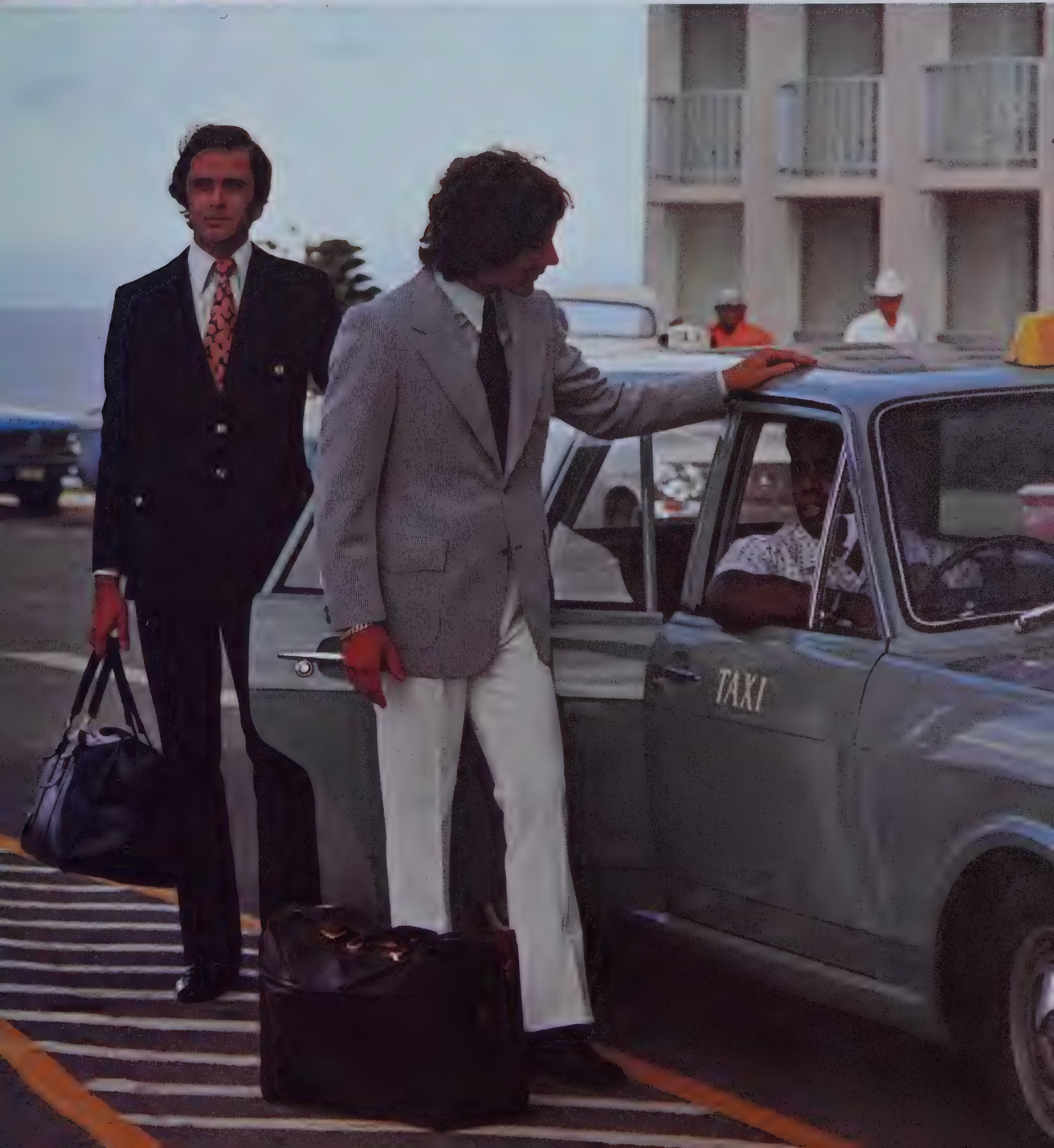
Under the guidance of President, Jack L. Hinden, formerly co-owner of the company and a man with 25 years experience in the industry, Lounge Fashion has retained a prominent position in the garment industry, by demonstrationg an ability for creative styling. The company currently employs 125 people.

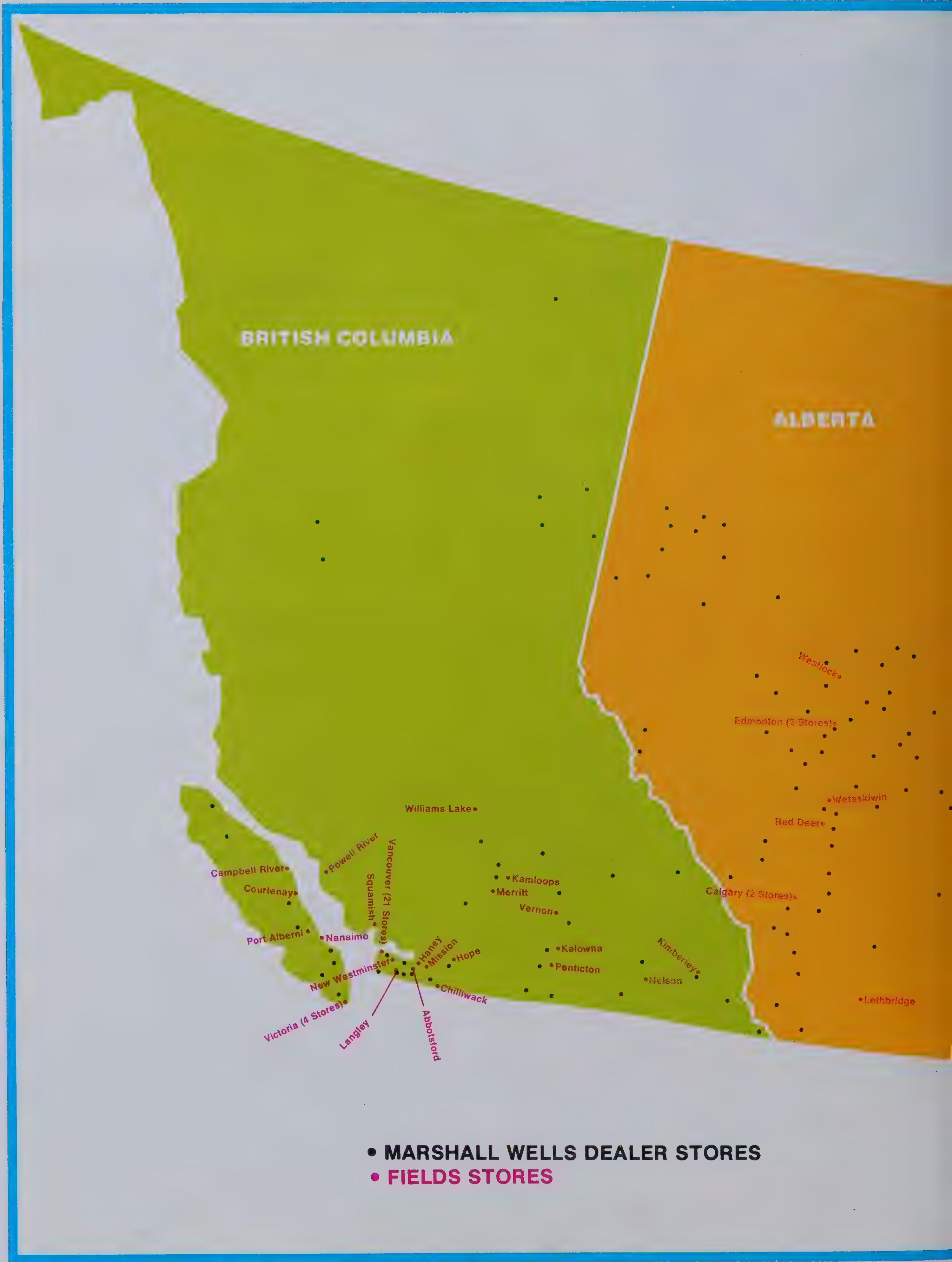
Because of the acceptance of double-knit fabrics for men's clothing in western Canada, Lounge added a second manufacturing facility in 1971 especially equipped to handle both double-knits and woven goods in larger quantities.

With the continual change in men's clothing and rising material and labour costs, Lounge is now placing more emphasis on semi-tailored garments. This new plant enables the company to provide its' customers with fashion clothes at a popular price.

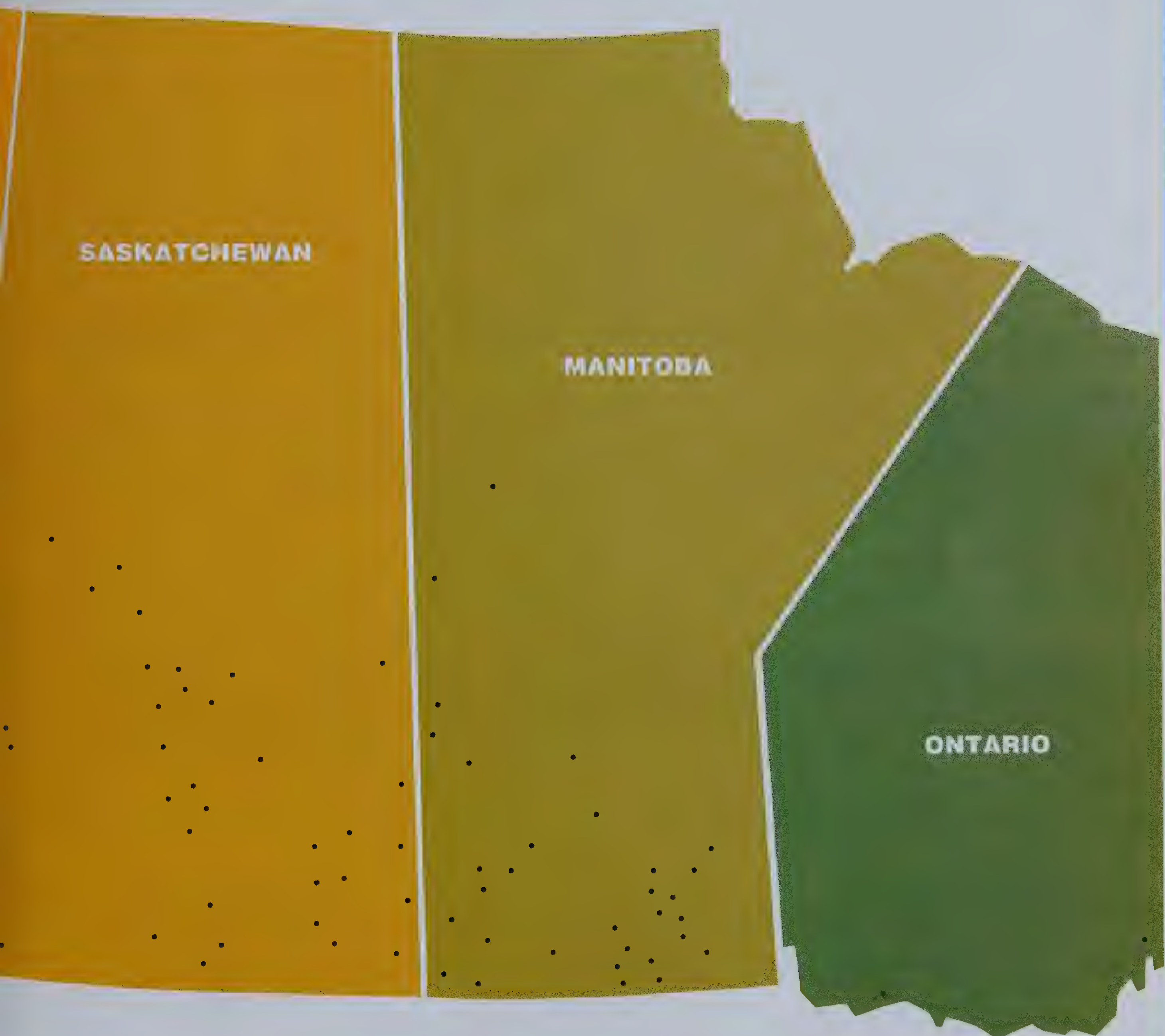


Quality men's wear is manufactured by Lounge Fashion, while rubber boots and canvas shoes are purchased in volume from the Far East by Imperial Imports.





BRITISH COLUMBIA
ALBERTA
Williams Lake
Powell River
Vancouver (21 Stores)
Squamish
Campbell River
Courtenay
Port Alberni
Nanaimo
New Westminster
Haney
Mission
Hope
Chilliwack
Victoria (4 Stores)
Langley
Abbotsford
Kamloops
Merritt
Vernon
Kelowna
Penticton
Kimberley
Nelson
Westlock
Edmonton (2 Stores)
Wetaskiwin
Red Deer
Calgary (2 Stores)
Lethbridge
• MARSHALL WELLS DEALER STORES
• FIELDS STORES


SASKATCHEWAN
MANITOBA
ONTARIO

KEY PEOPLE AT FIELDS

MERCHANDISING
BUYERS

Nathan Alexander
Max Powell
Tony Arkell
Mrs. Evelyn Skinner
Gordon Moss
Harvey Shafer
Everett Sochowski
John Smith
Edward Ross

ADVERTISING AND PROMOTION

Mrs. Betty Estrin

JOSEPH SEGAL,
President,
in charge of merchandising

C. F. GRAVES,
Vice-President,
Administration and Finance

G. J. CHAPMAN,
Vice-President,
Retail Operations

E. C. H. PERRIN,
Distribution and Support Services

FINANCE AND ADMINISTRATION

A. K. Baak,
Comptroller

Mrs. Phyllis Ashley,
Accountant

John Gray,
Internal audit and credit control

Norman Millar,
Executive assistant

STORE SUPERVISION

Robert Way
Keith Setter
John DeVries
Herbert Desaunier
Fred Massey

DISTRIBUTION CENTRE

Victor Hetman

EXECUTIVE MANAGEMENT

AUDITORS REPORT

TO THE SHAREHOLDERS OF
FIELDS STORES LIMITED:

We have examined the consolidated balance sheet of Fields Stores Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings, and source and use of funds for the year then ended. Our examination of the financial statements of Fields Stores Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied upon the reports of other accountants who have examined the financial statements of the other subsidiaries.

In our opinion, based on our examination and the reports of other accountants referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Vancouver, B.C.
March 5, 1973

FIELDS STORES LIMITED & SUBSIDIARIES CONSOLIDATED

as at December 31, 1972
(with comparative figures at December 31, 1971)

ASSETS	1972	1971
CURRENT ASSETS		
Cash and term deposits (Note 1)	$ 5,606,861	$ 1,322,063
Accounts receivable	4,883,903	1,667,815
Inventories (Note 2)	14,596,942	8,459,614
Prepaid expenses	76,770	65,364
	25,164,476	11,514,856
NON CURRENT RECEIVABLES		
Dealer notes due in instalments to 1981	304,950	
Mortgages	122,830	5,771
	427,780	5,771
FIXED ASSETS (Note 3)	8,259,472	4,382,484
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Note 4)	283,750	
OTHER ASSETS		55,084
GOODWILL (Notes 1 and 5)	1,502,865	1,236,841
	$35,638,343	$17,195,036

ALANCE SHEET

LIABILITIES	1972	1971
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	$ 6,343,651	$ 1,831,661
Accounts payable and accrued liabilities	5,129,587	2,525,482
Income and other taxes	816,816	673,336
Long-term debt due within one year	636,000	10,600
	12,926,054	5,041,079
LONG-TERM DEBT (Notes 6 and 7)	8,691,508	367,721
DEFERRED INCOME TAXES	655,011	258,519
MINORITY INTERESTS in subsidiaries (Notes 1 and 10)	302,245	685,656
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	4,990,486	4,910,548
RETAINED EARNINGS	8,073,039	5,931,513
	13,063,525	10,842,061
	$35,638,343	$17,195,036

Approved by the Board

J. Segal, Director

C.F. Graves, C.A., Director

The accompanying notes form an integral part of this financial statement.

Consolidated Statements of Earnings and Retained Earnings

for the year ended December 31, 1972
(with comparative figures for 1971)

EARNINGS

	1972	1971
SALES	$36,072,459	$27,608,949
Deduct concession sales	410,602	408,631
NET SALES	35,661,857	27,200,318
COSTS OF GOODS SOLD AND OPERATING EXPENSES BEFORE THE FOLLOWING	30,152,849	22,998,438
Depreciation and amortization	325,095	229,432
Interest — current	214,920	154,603
— long-term	183,114	65,615
	30,875,978	23,448,088
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	4,785,879	3,752,230
INCOME TAXES		
Current	2,196,475	1,777,597
Deferred	92,800	90,900
	2,289,275	1,868,497
	2,496,604	1,883,733
MINORITY INTERESTS	187,503	164,910
EARNINGS BEFORE EXTRAORDINARY ITEM	2,309,101	1,718,823
EXTRAORDINARY ITEM		
Gain on disposal of fixed assets, net of incomes taxes of $23,700		315,438
NET EARNINGS FOR THE YEAR	$ 2,309,101	$ 2,034,261
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	$ 1.02	$ 0.76
NET EARNINGS PER SHARE	$ 1.02	$ 0.90

RETAINED EARNINGS

	1972	1971
BALANCE AT BEGINNING OF YEAR	$5,931,513	$3,897,252
Net earnings for the year	2,309,101	2,034,261
	8,240,614	5,931,513
Dividends paid	112,491	—
Share issue and reorganization costs written off	55,084	—
	167,575	
BALANCE AT END OF YEAR	$8,073,039	$5,931,513

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Source And Use of Funds

for the year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Net earnings for the year	$ 2,309,101	$ 2,034,261
Deduct gain on disposal of fixed assets		315,438
	2,309,101	1,718,823
Depreciation and amortization	325,095	229,432
Deferred income taxes	92,800	67,202
Earnings of minority interests	187,503	164,910
Provided from operations	2,914,499	2,180,367
Bank loans (Note 7)	5,552,207	
Debentures and deferred income taxes of newly acquired subsidiaries (Note 1)	3,503,692	
Issue of shares (Note 8)	79,938	110,664
Proceeds from disposal of fixed assets		547,329
Decrease (increase) in other assets	691	(5,771)
	12,051,027	2,832,589
USE OF FUNDS		
On acquisition of subsidiaries (Note 1)		
Fixed assets (including the purchase difference of $707,986 attributable to land)	1,654,312	
Non-current receivables and unamortized debenture discount and issue expenses	706,451	
Purchase of other fixed assets	2,547,771	1,680,229
Purchase of additional share interest in partially-owned subsidiaries (Note 1)	836,937	
Dividends paid	112,491	
Current portion of new bank loans and reduction in other long-term debt	428,420	11,840
	6,286,382	1,692,069
INCREASE IN WORKING CAPITAL	5,764,645	1,140,520
WORKING CAPITAL BEGINNING OF YEAR	6,473,777	5,333,257
WORKING CAPITAL END OF YEAR	$12,238,422	$ 6,473,777

The accompanying notes form an integral part of this financial statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Principles of consolidation.** The consolidated financial statements include the accounts of all subsidiaries. The results of the operations of subsidiary companies have been included only from the dates of acquisition (except as noted below), and provision has been made for minority interests. The purchase method has been used in accounting for the acquisition of all subsidiaries.

   (a) Acquisition of Marshall Wells Limited:

   By agreement dated December 2, 1972 and completed on January 4, 1973, Fields purchased all of the issued and outstanding shares of Marshall Wells Limited. This purchase was effective as of December 2, 1972 and the assets and liabilities of Marshall Wells and its subsidiaries, as of that date, have been included in the company's consolidated balance sheet as at December 31, 1972.

   The cost of Fields investment was $7,578,653, which was provided from bank loans aggregating $6,500,000 of which $3,700,000 is current bank indebtedness and $2,800,000 is long-term debt, and the balance of $1,078,653 from internal funds. The agreement also provided for the payment to Marshall Wells by its former parent company of $4,630,931 related to certain receivables of Marshall Wells as at December 2, 1972 (the actual amount received on the closing date approximated $4,933,000). Although these transactions took place on January 4, 1973, they have been reflected in the consolidated balance sheet as if they had occurred on or prior to December 31, 1972.

   The cost of the investment is represented by the net assets as shown below:

Current assets	$11,290,342
Fixed assets, at cost less accumulated depreciation and amortization	946,326
Non-current receivables	422,701
Unamortized debenture discount and issue expense	283,750
	12,943,119
Deduct Liabilities:	
Current	2,568,760
Long-term	3,200,000
Deferred income taxes	303,692
	6,072,452
Net assets acquired	6,870,667
Excess of purchase price over book value of net assets acquired — applied to land	707,986
Purchase price	$7,578,653

   The unaudited net earnings of Marshall Wells Limited and its wholly-owned subsidiaries for the period December 2, 1972 to December 31, 1972 amounted to $37,000, including an extraordinary gain of $21,000. Unaudited sales for this period amounted to $1,132,000. These earnings and sales have not been reflected in the company's consolidated statements of earnings, retained earnings, and source and use of funds.

   (b) Acquisition of additional share interest in subsidiaries. During the third quarter of 1972, the company purchased for cash an additional 16.66% share interest in Diamond & Co. Ltd. and Harbrook Knitting Mills Ltd. for a total cost of $836,937, bringing the company's present share holdings in these companies to 91.66%. The excess of the purchase price for this additional interest over the proportionate value of the subsidiaries' net assets at the effective date of acquisition was $266,024, which has been allocated to goodwill.

2. **Inventories.** Inventories are valued at the lower of cost or estimated net realizable value less normal profit margins.

3. **Fixed assets**

	Cost	Accumulated Depreciation	Net Book Value 1972	Net Book Value 1971
Land	$2,533,546		$2,533,546	$ 926,420
Buildings	4,854,020	1,078,665	3,775,355	2,017,002
Fixtures and equipment	2,932,571	1,293,269	1,639,302	1,193,887
Leasehold improvements	409,960	98,691	311,269	245,175
	$10,730,097	$2,470,625	$8,259,472	$4,382,484

4. **Unamortized debt discount and expense.** This will be amortized at the rate of $30,000 per annum over the term of the debentures.

5. **Goodwill.** This amount is made up of:

	1972	1971
Purchased	$ 215,000	$ 215,000
On consolidation	1,287,865	1,021,841
	$1,502,865	$1,236,841

The above amounts are carried in the accounts at cost without amortization.

6. **Bank indebtedness.** The company has assigned the loss proceeds of certain fire insurance policies and lodged with the bank certificates of title to certain real properties as security for short-term and long-term indebtedness to the bank. Accounts receivable of a subsidiary company are assigned from time to time to the bank as security for its bank indebtedness, of which none was outstanding as at December 31, 1972.

The company has provided a letter of undertaking to its bankers to provide them on request with a debenture incorporating both a specific charge over fixed assets and a floating charge over all assets of the company and certain of its wholly-owned subsidiaries.

In the course of arranging for financing for the acquisition of Marshall Wells during December, 1972, the company agreed to furnish the following to the bank as security for new bank loans (see Note 1), and for $2,752,207 of long-term bank indebtedness existing at December 31, 1972:

(i) Collateral mortgages on certain properties

(ii) An additional assignment of loss proceeds of fire insurance policies on certain other properties

(iii) Certificates of title to certain other real properties

(iv) Pledge of all outstanding shares of Marshall Wells Limited

7. **Long-term debt:**

	1972	1971
6% Sinking Fund Debentures, Series "A" due May 15, 1982	$3,400,000	$ —
Bank loans (Note 6) Payable with interest at rates not exceeding 2% over the prevailing prime bank rate and maturing at various dates to 1982	5,552,207	—

(cont.)

Mortgages		
Payable with interest at 9% per annum and maturing in 1984	326,660	331,178
Others at various interest rates and maturity dates	48,641	47,143
	9,327,508	378,321
Deduct amounts due within one year	636,000	10,600
	$8,691,508	$367,721

Sinking fund payment requirements on the 6% debentures are $300,000 annually. The sinking fund payment for 1973 is anticipated to be reduced by $100,000, which is the amount of debentures purchased and tendered to the Trustee as at December 2, 1972. The 6% debentures are secured by a first floating charge on all the assets, business and undertakings of Marshall Wells Limited.

Payments required for retirement of debentures and other long-term debt over the next five years are:

1973 — $636,000 1974 — $784,000 1975 — $812,000 1976 — $851,000 1977 — $901,000

8. **Share capital**

	No. of shares	
Authorized —		
Common shares of no par value	3,500,000	
Issued —		
Balance, December 31, 1971	2,245,371	$4,910,548
Shares issued on options exercised during the year for cash	10,965	79,938
Balance December 31, 1972	2,256,336	$4,990,486

Certain employees have options to purchase 15,715 shares at $7.20 per share, 800 shares at $12.15 per share and 9,000 shares at $18.90 per share.

The total options for 25,515 shares expire in the following years:

1973 — 6,000 1974 — 12,015 1975 — 3,700 1976 — 2,000 1977 — 1,800

No material dilution of earnings per share results from these options.

9. **Lease commitments.** Minimum annual rentals for property leases in each of the next five years are:

1973 — $779,267 1974 — $755,837 1975 — $732,761 1976 — $631,073 1977 — $522,129

Certain of the leases provide for additional rentals based on sales, as well as other occupancy charges.

10. **Contractual obligations.** The company has an obligation under certain circumstances to purchase for cash the minority interests' share holdings of 8.33% in subsidiary companies. The company also has an option under certain circumstances to acquire these minority interests for a prescribed cash consideration. This option expires December 31, 1989.

11. **Remuneration of directors and senior officers.** The aggregate remuneration paid or payable by the company and its subsidiaries to the directors and senior officers of the company for 1972 and 1971 was $174,366 and $168,500 respectively.

12. **Subsequent event.** On January 2, 1973, the directors of the company declared a dividend of five cents per share payable February 1, 1973 to shareholders of record on January 15, 1973.

13. **Comparative figures.** To conform with classifications used in the current year, certain figures of the preceding year have been reclassified.

SEVEN YEAR REVIEW

	1966 $000	1967 $000	1968 $000	1969 $000	1970 $000	1971 $000	1972 $000
Operating results							
Sales	3,650	4,344	6,101	12,239	21,054	27,609	36,072
Earnings from operations before the following:	466	752	1,107	1,730	3,065	3,981	5,111
Depreciation	51	64	79	101[1]	182	229	325
Income taxes	188	334	520	808[1]	1,503	1,868	2,289
Minority interests					138	165	188
Extraordinary gain (loss)	—	—	—	59	(8)	315	—
Net Earnings	207	354	508	880	1,234	2,034	2,309
Financial Position							
Working capital	302	562	902	4,438	5,333	6,473	12,238
Inventories	412	725	1,328	3,463	6,031	8,459	14,596
Fixed assets — net	635	698	883	2,629	3,163	4,382	8,259
Total assets	1,484	2,170	3,070	9,379	13,320	17,195	35,638
Long-term debt	18	10	36	372	380	368	8,691
Shareholders' equity	934	1,287	1,935	6,854	8,697	10,842	13,063
Per Common Share:							
Earnings before extraordinary items	$0.13	$0.22	$0.30	$0.43[2]	$0.55	$0.76	$1.02
Net earnings	$0.13	$0.22	$0.30	$0.46[2]	$0.55	$0.90	$1.02
Dividends paid							$0.05
Cash flow from operations	$0.16	$0.26	$0.35	$0.55[2]	$0.75	$0.97	$1.29
Net asset value	$0.58	$0.80	$1.16	$3.16	$3.90	$4.83	$5.79
Ratios and Statistics							
Working capital	1.6:1	1.6:1	1.8:1	3.1:1	2.5:1	2.3:1	1.9:1
Number of common shares outstanding[3]	1,605,000	1,605,000	1,665,000	2,165,000	2,230,001	2,245,371	2,256,336
Number of shareholders[4]			1,038	1,130	1,302	1,351	1,180
Number of stores	5	8	11	17	23	43	55

NOTES TO SEVEN YEAR REVIEW —

1. During 1969, the rates of depreciation were changed to conform with revised estimates of the useful life of fixed assets and the company converted from the taxes payable to the tax allocation method of providing for income taxes. Prior years figures as shown above have not been re-stated.

2. Based on the weighted average of 1,906,666 common shares outstanding.

3. Years 1966 and 1967 are re-stated to give effect to the recapitalization in 1968 and 3 for 1 stock split in 1969.

4. Prior to 1968 the company was a private company.

5. 1972 amounts where applicable include assets and liabilities of Marshall Wells Limited as at December 2, 1972. Sales and income of Marshall Wells Limited for the period December 2, 1972 to December 31, 1972 are not included above.

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